

UNITED STATES PATENT APPLICATION

of

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for

**METHOD AND SYSTEM FOR PROCESSING FINANCIAL
INSTRUMENT DEPOSITS PHYSICALLY REMOTE
FROM A FINANCIAL INSTITUTION**

WORKMAN, NYDEGGER & SEELEY
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

1000 EAGLE GATE TOWER
60 EAST SOUTH TEMPLE

BACKGROUND OF THE INVENTION

1. The Field of the Invention

The present invention relates to physical financial instrument processing. More particularly, the present invention relates to a method and system for remotely processing checks through electronic interaction between the physical location of the instrument and a financial institution.

2. Related Applications

The act of depositing or otherwise converting a financial instrument such as a check, draft, or other instrument has generally required the physical presentment of the instrument by the bearer to a financial institution such as a bank, credit union, or other institution authorized to accept and process monetary instruments. Indeed, the depositing and clearing of checks has heretofore involved individuals or organizations physically taking their deposit, such as in the form of a check, to financial institutions or trusted remote institutional branches, otherwise known as the bank of first deposit, where the deposit may be accepted, and credited to the bank customer's account, of course, subject to the check "clearing" with the maker financial institution.

Financial institutions have developed methods for reducing the amount of paper flow associated with checks within their organizations, however, their target has not been to reduce processing costs, improve the timeliness of the money collection from other financial institutions, and reduce costs associated with handling, storing and returning paper checks to the maker. Therefore, it would be an advancement to provide a new system centered on electronic information that does not require the use of paper items for any purpose.

1 Therefore, it would be advantageous to provide an electronic processing system
2 and method that could provide a bearer of a check the convenience to "deposit" a check
3 at a facility, such as a home or office, that is not a traditional bank or bank branch
4 facility.

5 It would also be advantageous to provide a method and system for allowing the
6 remote depositing and processing a check that does not require the physical routing of the
7 actual check in order to accomplish the various post-deposit processing of a check. It
8 would yet be a further advantage to provide a method and system for improving the
9 collection time involved with the funds represented by the check (i.e., reduce credit
10 "float").

11 It would be a benefit to provide a method and system for reducing expenses
12 associated with the transportation costs involved in sending the checks from the bank of
13 first deposit to the maker financial institution.

14 It would also be a benefit to provide a method and system for reducing the check
15 storage expenses incurred by the bank of first deposit.

16 It would be a further benefit to enable the bank of first deposit to reduce the
17 staffing, facilities (i.e., physical buildings), and equipment required to accept and process
18 physical checks.

SUMMARY AND OBJECTS OF THE INVENTION

The present invention has been designed to reduce the issues associated with the physical handling of paper items by financial institutions and to improve the collections of associated funds by processing electronic images of checks as opposed to the slower method of sending paper checks through the traditional check clearing routes. Notwithstanding the premise for the inventive processes to use electronic images of items to facilitate processing and clearing of items, it would also be desirable for the present invention to accommodate the current use of paper items and all other commonly accepted methods for clearing checks until such time as the use of electronic images becomes a common accepted practice for clearing checks.

This new process involves inventive computer-based software that can be used at financial institution locations and locations remote from financial institution offices for capturing deposits, together herein referred to as remote locations. The remote capture system can be used by individuals and businesses (including the financial institution) to capture deposit information and images of the monetary items, such as checks, required for depositing the checks into their deposit accounts at the financial institution. Once this information is captured and validated at the remote site, it is transferred to the financial institution over telecommunications lines (leased lines, switched lines, Internet, etc.) to a receiving computer at the financial institution. The financial institution computer verifies the information received, stores the image of the items, and passes back to the remote site computer information that is used by the remote site computer to endorse, cancel, and item number, and otherwise mark, void, and identify the check. Another image of the check is then created at the remote location showing the endorsements information. This image is then sent to the central site of the financial institution for storage and to be used

1 for research and re-depositing of the check if this becomes necessary. The depositor
2 retains the deposit slips and monetary item(s) at the remote site.

3 As an alternative to the interactive process of passing voiding, endorsing, unique
4 number information back and forth between the central site and the remote site, it will be
5 possible (based on parameters set in the inventive software) to do most of the decision-
6 making on the remote site processor before transmitting the check information to the
7 central site. This can be done by pre-loading the endorsement, voiding, and item
8 numbering information on the remote site processor and/or updating on a regular basis.
9 This allows for checks to be endorsed, voided and item numbered and the image(s)
10 associated with a check deposit to be created and passed to the central site without the
11 need for interactive validation of data between the remote and central sites.

12 In addition to deposits, decisions based on remote site information, the present
13 invention also allows deposits of any number, combination, and dollar amounts of
14 deposit, and checks based upon decisions made regarding the customer by information
15 stored at the central site. This information can be loaded onto the central site and
16 communicated to the remote processor as part of the interactive exchange of data during
17 the process of validating the deposit. Additionally, this information while being pre-
18 loaded on the remote processor can also be updated on a regular basis.

19 Once complete deposit data is received by the central site processor at the bank of
20 first deposit's central site, it is passed to the central site's check processing, deposit, and
21 cash management, etc., systems for processing. As an alternative, if the remote site or
22 central site is being used as a collection center for deposits from other institutions, the
23 deposit information can be passed to the other institutions check processing, deposit, and
24 cash management, etc., systems for processing. The image of the checks can be used to

1 either print the customer statements (for items drawn on the bank of first deposit or
2 routed through the normal check clearing paths (i.e. directly to clearing and
3 correspondent banks or through the FRB electronic clearing process). If the maker or
4 maker bank(s) require physical checks for their internal purposes, a duplicate check is
5 printed by either the bank of first deposit's central site, or the maker bank or by the maker
6 banks FRB.

7 Once received by the maker bank, the check image or duplicate printed check is
8 processed by the maker bank through their computer systems and included as per their
9 policies in their customer statements. Checks returned to the depositor for any reason
10 will take the reverse path back to the depositor. Any re-depositing of items by the
11 original depositor is done using the either the printed duplicate paper item (if there is one)
12 or the original endorsed image created and stored at the bank of first deposit's central
13 site.

14 All transmission of data preferably undergoes digital signature verification and
15 certification and data encryption to ensure privacy and confidentiality of the data being
16 transmitted. In addition, the check images will be stored on a document storage database
17 at the remote site or bank of first deposit as well as Internet enabled and accessible
18 database(s). The information on these database(s) will be available to the depositor and
19 research personnel at the bank of first deposit's central site under security control through
20 remote access such as Internet access.

21 The system includes computer hardware, computer software, apparatus, and
22 methodology that enables individuals, businesses, and all types of organizations (both for
23 profit and non-profit) to capture and securely transmit check images (including, but not
24 limited to, personal checks, business checks, travelers checks, money orders, merchant

1 coupons, food coupons, line of credit checks, etc.), deposit information, and other
2 information from remote locations (i.e., locations that could include the financial
3 institution's remote locations, other financial institution's locations, businesses, private
4 residences, etc.), for the purpose of having those checks credited to the depositing
5 individual's or organization's bank account(s) and having the check images (and/or
6 physical checks) entered into the bank check clearing channels for ultimate delivery to
7 the maker bank for payment out of the maker's account.

8 These and other objects and features of the present invention will become more
9 fully apparent from the following description and appended claims, or may be learned by
10 the practice of the invention as set forth hereinafter.

1 **BRIEF DESCRIPTION OF THE DRAWINGS**

2 A more extensive description of the present invention, including the above-recited
3 features, advantages, and objects, will be rendered with reference to the specific
4 embodiments that are illustrated in the appended drawings. Because these drawings
5 depict only exemplary embodiments, the drawings should not be construed as imposing
6 any limitation on the present invention's scope. As such, the present invention will be
7 described and explained with additional specificity and detail through use of the
8 accompanying drawings in which:

9 Figure 1 illustrates an overview of a process of capturing and processing deposits
10 from financial institutions and their branches which can be adapted to incorporate some
11 of the features of the present invention;

12 Figure 2 illustrates an overview of remotely capturing and processing deposits
13 remote from a financial branch or bank, in accordance with a preferred embodiment of
14 the present invention;

15 Figure 3 is a more detailed block diagram showing the capturing and processing
16 at the remote site or point of check presentment, in accordance with a preferred
17 embodiment of the present invention;

18 Figure 4 illustrates central site processing of image data as captured at the remote
19 site, in accordance with a preferred embodiment of the present invention;

20 Figure 5 illustrates processing at the maker or payor institution site, in accordance
21 with a preferred embodiment of the present invention;

22 Figure 6 illustrates a processing diagram of the interaction between entities of the
23 present invention; and

24 Figure 7 is a process flowchart of check processing of the present invention.

DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

The invention is described below with reference to drawings. These drawings illustrate certain details of specific embodiments that implement the systems and methods of the present invention. However, describing the invention with drawings should not be construed as imposing, on the invention, any limitations that may be present in the drawings. The present invention contemplates both methods and systems for remotely accepting a check for deposit and electronically processing the deposit without physically routing the physical paper copy of the check. The embodiments of the present invention may comprise a special purpose or general purpose computer including various computer hardware, the execution unit portion of which may also be known herein as a "processor."

Embodiments within the scope of the present invention also include computer-readable media for carrying or having computer-executable instructions or data structures stored thereon and also known as software. Such computer-readable media can be any available media which can be accessed by a general purpose or special purpose computer. By way of example, and not limitation, such computer-readable media can comprise RAM, ROM, EPROM, EEPROM, CD-ROM or other optical disk storage, magnetic disk storage or other magnetic storage devices, or any other medium which can be used to carry or store desired program code means in the form of computer-executable instructions or data structures and which can be accessed by a general purpose or special purpose computer. When information is transferred or provided over a network or another communications connection (either hardwired, wireless, or a combination of hardwired or wireless) to a computer, the computer properly views the connection as a computer-readable medium. Thus, any such a connection is properly termed a computer-

1 readable medium. Combinations of the above should also be included within the scope
2 of computer-readable media. Computer-executable instructions comprise, for example,
3 instructions and data which cause a general purpose computer, special purpose computer,
4 or special purpose processing device to perform a certain function or group of functions.
5 Computer-executable instructions may also be properly termed "software" as known by
6 those of skill in the art.

7 Although not required, the invention will be described in the general context of
8 computer-executable instructions, such as program modules, being executed by
9 computers in network environments. Generally, program modules include routines,
10 programs, objects, components, data structures, etc. that perform particular tasks or
11 implement particular abstract data types. Computer-executable instructions, associated
12 data structures, and program modules represent examples of the program code means for
13 executing steps of the methods disclosed herein. The particular sequence of such
14 executable instructions or associated data structures represent examples of corresponding
15 acts for implementing the functions described in such steps.

16 Those skilled in the art will appreciate that the invention may be practiced in
17 network computing environments with many types of computer system configurations,
18 including personal computers, hand-held devices, multi-processor systems,
19 microprocessor-based or programmable consumer electronics, network PCs,
20 minicomputers, mainframe computers, and the like. The invention may also be practiced
21 in distributed computing environments where tasks are performed by local and remote
22 processing devices that are linked (either by hardwired links, wireless links, or by a
23 combination of hardwired or wireless links) through a communications network. In a
24

1 distributed computing environment, program modules may be located in both local and
2 remote memory storage devices.

3 An exemplary system for implementing the portions of the invention includes a
4 general purpose computing device in the form of a conventional computer, including a
5 processing unit, a system memory, and a system bus that couples various system
6 components including the system memory to the processing unit. The system memory
7 may include read only memory (ROM) and random access memory (RAM). The
8 computer may also include a magnetic hard disk drive for reading from and writing to a
9 magnetic hard disk, a magnetic disk drive for reading from or writing to a removable
10 magnetic disk, and an optical disk drive for reading from or writing to removable optical
11 disk such as a CD-ROM or other optical media. The drives and their associated
12 computer-readable media provide nonvolatile storage of computer-executable
13 instructions, data structures, program modules and other data for the computer.

14 Program code or software means comprising one or more program modules may
15 be stored on the hard disk, magnetic disk, optical disk, ROM or RAM, including an
16 operating system, one or more application or software programs, other program modules,
17 and program data.

18 The computer may operate in a networked environment using logical connections
19 to one or more remote computers having processors. Logical connections may include a
20 local area network (LAN) and a wide area network (WAN) that are presented here by
21 way of example and not limitation. Such networking environments are commonplace in
22 office-wide or enterprise-wide computer networks, intranets and the Internet.

23 It should also be pointed out that while the term "check" may be generically used
24 herein, it is contemplated by the inventors that other financial instruments are also

1 contemplated within this meaning and therefore, the use of the term "check" is assumed
2 to have the broader meaning, both in the specification and the claims.

3 Additionally, the term "bank of first deposit" means the financial institution
4 sponsoring the remote site and which owns or employs a central site for processing
5 financial transactions.

6 Referring to Figure 1, a bank of first deposit 101 receives a check from the bearer
7 to begin processing the instrument. Bank of first deposit 101 actually forwards, in step
8 113, the physical check(s) to a central site 102 for additional physical processing of the
9 actual check. The physical check is processed at central site 102 using a reader/sorter
10 (not separately shown but included in 102) to acquire information such as the information
11 stored on the Magnetic Ink Character Recognition (MICR) line. This information
12 includes the maker bank number, the account number, a check serial number, etc. The
13 information from the check is then sent to an in-house computer system (included in
14 102) for posting in steps 114, 115 to the appropriate bearer account(s) 103, 104 in the
15 bank of first deposit 101. If the check is an on us item (i.e. an item that is drawn on the
16 bank that is processing it), the check is retained in a step 117 at storage 105 at bank of
17 first deposit 101, otherwise the check is sent in steps 116 and 119 or, alternatively in step
18 118 into a maker bank 108 for collection of funds. The check(s) are either sent
19 physically in step 118 directly to maker bank 108 or routed in steps 116 and 119 through
20 a Federal Reserve Banks (FRB) 106 and 107 check clearing processes to a maker bank
21 108.

22 The path taken by the check is determined by the working agreement that bank of
23 first deposit 101 has with maker bank 108. If maker bank 108 is a member of the local
24 clearing-house association (thereby being a clearing bank), the checks can be exchanged

1 directly with maker bank 108. If the maker bank 108 is a correspondent bank (a bank
2 that has agreed to exchange checks directly with the bank of first deposit) the checks can
3 be sent directly to maker bank 108. All other checks are forwarded in steps 116 and 119
4 to the FRBS, 106 and 107 for exchange with maker bank 108. If a check is not paid by
5 maker bank 108 for any reason (i.e. it is a forgery, there are not sufficient funds in the
6 makers account to cover the amount of the check, etc.) the check is returned to the
7 depositor using the reverse path. Once the check is received by maker bank 108, the
8 check is processed in step 121 through the maker bank's check capture system 109.
9 Information from the check is then sent in steps 122 and 123 to the maker bank's
10 accounting systems 110 and 111 and the checks are either stored in step 124 at the maker
11 bank's check storage 112, or sent directly to the maker with their check statement.

12 Figure 2 depicts a high-level processing diagram of the various entities involved
13 in the overall financial processing of the present invention, in accordance with the
14 preferred embodiment. The present invention comprises three primary processing
15 entities: (i) a remote site 197, (ii) a central site 198, and (iii) a maker bank site 199. Each
16 of these sites enlists specific processing techniques which furthers the novel financial
17 instrument processing technique of the present invention.

18 In the present invention, a remote site processor 201 (further detailed in Figure 3)
19 either autonomously, or under operator/depositor control initially remotely "processes" a
20 check into electronic check data both in the form of image data and informational data
21 which can be further processed and approved at subsequent portions of the overall
22 process. In essence, the remote site provides a processing front-end that electronically
23 interacts via interface 202 with central site 198 through the transfer of electronic check
24 data for review and processing by electronic means at a central site. Remote site 197

1 performs functions relating to the physical check including scanning, reading, and
2 printing on the checks. Remote site 197 also exchanges image and/or authorization data
3 with the other entities as further described below.

4 Central site 198 of Figure 2 interacts via interfaces 207, 208 with maker bank site
5 199 for completing the clearing process relating to the check or related instrument.
6 Central site 198 is comprised of a central site processor 203 which coordinates
7 verification and account interaction. Central site 198 also provides both electronic
8 storage of image and information data as well as providing an interface to maker bank
9 site 199. Central site 198 provides image conversion technology for converting check
10 data from electronic form back to a hard copy check format for processing, printing, and
11 archiving when required by more traditional banking processes. Otherwise, a system 205
12 may process the image of the check in image format. System 205 prevents the need to
13 reprint the check and send the duplicate check through the check reader sorters.

14 Maker bank site 199 performs more traditional account processing of information
15 received from central site 198 such as from central site Federal Reserve Bank 106.
16 Maker bank site 199 is further comprised of maker bank FRB 107 and maker bank 108
17 and engages in account processing and statement generation.

18 Figure 3 depicts the remote site as well as the interaction by a depositor or
19 operator, in accordance with a preferred embodiment. The present invention commences
20 with the presentation of a physical instrument such as a check by a bearer to remote site
21 197. A remote scanner/reader/printer 309 provides the interface to the bearer for
22 presentment of the check. Remote scanner/reader/printer 309, in the preferred
23 embodiment, is a multifunction device capable of independently performing each of the
24 functions of scanning, reading, and printing upon the check or physical financial

1 instrument. It is also contemplated that individual devices for performing each of these
2 functions, scanning-reading-printing, may be integrated, whether automatically or
3 manually, to perform the combination of functions upon the check.

4 Remote scanner/reader/printer 309 is connected via an interface 310 to remote
5 processor 201. Remote site processor 201, like each of the other processor elements in
6 the present invention, may be comprised of execution-capable devices, and is preferably
7 comprised of a computer, such as a personal, network, or general purpose computer.
8 Remote processor 201 is further coupled to central site processor 203 via an interface
9 transmission or network media 202, which may take the form of one or more of wired or
10 wireless media such as public switched lines, Internet or wide-area network connection,
11 microwave, satellite, digital phone, private leased lines, or any other current or future
12 acceptable communications facility and may further employ include encryption over the
13 interface.

14 Remote site processor 201 executes according to executable instructions such as
15 computer-executable instructions which are figuratively depicted in Figure 3 as software
16 313. Software 313 is loaded or interfaces with remote processor 201 via a bus or other
17 physical interface depicted as interface 312. Generally, software 313 is comprised of
18 executable instructions for (i) causing remote site processor 201 to instruct and execute
19 the necessary steps for capturing the check or financial instrument both physically and
20 electronically, (ii) performing requisite data processing on the electronic data from the
21 capturing step, and (iii) exchanging the captured data over interface or media 202 to
22 central site processor 203 when appropriate.

23 While details relating to the processing and method steps executed by remote site
24 processor 201 via software 313 are described below, remote site processor 201 further

1 determines if remote processing decisional information such as comparison information
2 for making decisions on the number of deposits, dollar amount of deposits or dollar
3 amount of monetary items is available on remote site processor 201. If such decisional
4 information is not available at remote site 197, then central site check processing may
5 require additional steps. Remote site processor 201 also determines if the remote
6 processing information needed to void, endorse and itemize number each check 303 is
7 available to remote processor 201 for processing of check 303, according to the method
8 of the present invention. If such remote processing information is available but not
9 current, the remote processing information may be updated by either having the updated
10 information manually entered, for example by way of an operator via a keyboard at
11 terminal 301 attached to remote processor 201, or the updated information may be
12 retrieved by remote processor 201, under the direction of software 313, from central site
13 processor 203.

14 In a preferred embodiment, the updated information may be housed in a data set
15 at central site processor 203 and updated by the bank of first deposit, affiliated with
16 remote site 197 prior to loading to remote site processor 201. Remote site processor 201,
17 executing software 313, then determines if all of the decisions concerning voiding,
18 endorsing, item numbering, number of deposits, number of checks or dollar sizes of
19 deposits or items can be made by remote site processor 201 by checking the remote
20 processing information as pre-defined in remote site processor 201.

21 If the decisions on endorsing, voiding, item numbering, number of deposits,
22 number or dollar amounts of deposits or monetary items can be made by remote site
23 processor 201, then to ensure proper account processing of check 303, a depositor at
24 terminal 301 is lead through a series of instructions to gather deposit information required

1 to ensure credits are made to the appropriate deposit accounts(s). In one preferred
2 embodiment, the deposit information is read, interpreted and entered automatically by
3 reader/scanner/printer 309. In another embodiment, the deposit information is entered
4 manually on, for example, terminal 301 attached to remote site processor 201.
5 Additionally, during the practice of the invention, scanner/reader/printer 309 encodes
6 check 303 with endorsement and voiding information in order to physically "void" check
7 303, thereby keeping check 303 from being re-transmitted, for example over media 202,
8 or re-deposited at an actual financial institution location for an additional collection. In
9 addition, a unique item identification number may be encoded on check 303 by remote
10 site processor 201 via scanner/reader/printer 309 to aid in tracking data resulting from
11 processing of check 303.

12 The process of the present invention continues when scanner/reader/printer 309
13 performs the functions of scanning check 303 to create electronic check data comprised
14 of image data, informational data including MICR encoding (using either MICR, Optical
15 Character Recognition (OCR) or other like techniques). Scanner/reader/printer 309
16 "voids" check 303 by endorsing check 303 and printing tracking data thereon. The
17 electronic image data and informational data such as MICR information of the voided
18 and endorsed check 303 is transferred over interface 310 to remote site processor 201 for
19 processing which includes image integrity verification. When the image integrity is
20 suspect, the integrity is enhance by either rescanning check 303 or, alternatively, by
21 manual intervention by an operator at terminal 301. If check 303 is rescanned,
22 scanner/reader/printer 309 does not reprint the endorsement, voiding and item numbering
23 information on check 303.

1 Once the electronic image data and the MICR encoding for the first check 303 is
2 determined to be readable and accurate, remote site processor 201 determines if this
3 process should be repeated for additional deposits and/or monetary item(s). When
4 remote site processor 201 determines that processing by scanner/reader/printer 309 of
5 individual check(s), under the direction of remote site processor 201 has ended and that
6 the information is complete and ready for transmission via interface/media 202, remote
7 site processor 201 formats the electronic image data and the MICR encoding and adds
8 any additional control information in preparation for transmission to central site
9 processor 203. The physical check 305 is stored in file 305 at the remote site. In
10 addition, the check image is stored on the remote site processor (*i.e.*, magnetic disk, cd
11 rom, etc. not shown on drawing.) Communications between remote site processor 201
12 and central site processor 203 preferably incorporates digital signature
13 verification/certification performed by process 311 and data encryption performed by
14 process 313 to ensure confidentiality.

15 Figure 4 depicts the central site processor and the various processes and interfaces
16 associated therewith, in accordance with a preferred embodiment of the present
17 invention. While the accuracy of electronic check data transferred from remote site
18 processor 201 to central site processor 203 will generally retain its integrity through the
19 transmission, when electronic check data received by central site processor 203, as
20 evaluated and processed by computer-executable instructions or software loaded therein,
21 is incomplete or inaccurate, or if the image data is not readable, central site processor 203
22 communicates with remote processor 201 giving detailed information to an operator at
23 terminal 301 concerning the need for additional information to restore image information
24 or complete incomplete or inaccurate data. Depending upon the type of missing or

1 otherwise incorrect information, corrected or supplemental information may be supplied
2 by an operator at terminal 301 at remote site 197. It may even be necessary to re-scan
3 check(s) 303 and re-transmit at least portions of the check data including image and/or
4 MICR data to central site processor 203. If check 303 is re-scanned, then endorsement,
5 voiding and item number information are not reprinted on check 303.

6 Once central site processor 203 determines the new check data received for the
7 deposit is accurate and complete, central site processor 203 stores the check image and
8 MICR data of check(s) 303 along with any additional associated information such as time
9 that deposit was captured, who the customer was who captured the deposit, item number,
10 etc. as received from remote site 201. Central site processor 203 confirms receipt of
11 accurate information by sending a notification reply to remote site processor 201 freeing-
12 up remote site processor 201 for further processing of subsequent remote check deposit
13 interactions. In alternate embodiments, central site processor 203 may store image data
14 on an Internet-enabled check image document storage 405 thereby allowing access by the
15 depositor/operator from a terminal such as terminal 301, their designee, or the financial
16 institution of first deposit. It should be pointed out that because of present banking
17 processes, the remote site should still be associated with a chartered financial institution
18 that is authorized to accept the checks from the remote site and process them through
19 normal check clearing paths. The remote site may be a branch extension of the financial
20 institution or may be a person, or other entity with or without a legal relationship to the
21 financial institution that provides the access services to the financial institution. Such an
22 affiliated financial institution is still known as the bank of first deposit. The present
23 embodiment does not propose eliminating the bank of first deposit, only replacing the
24 method used to capture deposits. Central site processor 203 maintains authentication and

1 data integrity at check image document storage 405 through the use of digital signature
2 verification and certification, as well as via data encryption as shown in processes 314
3 and 315.

4 Referring back to Figure 3, in another embodiment, if the decisions of endorsing,
5 voiding, item numbering, number of deposits number or checks or dollar amounts of
6 deposits or monetary items cannot be made by remote site processor 201, for example,
7 when the telecommunications line goes down and the decision information cannot be
8 updated on the remote site processor, or when the central site processor is inoperable, or
9 the specific remote site is not authorized to make these decisions (i.e. we will determine
10 and pass that information to the remote site processor when the remote site processor
11 contacts the central site processor prior to accepting deposit information at the remote
12 site), then remote site processor 201 leads a depositor at for example terminal 301
13 through a series of instructions to gather deposit information required to ensure credits
14 are made to the appropriate deposit accounts(s) 104. This can be done by either using the
15 reader/scanner/printer 309 or by entering the necessary information on the terminal 301
16 attached to remote processor 201.

17 Then, check 303 is placed into the scanner/reader/printer 309 where the item is
18 scanned, the MICR encoding is read preferably using either MICR or Optical Character
19 Recognition (OCR) techniques, and an electronic image is created of check 303. The
20 electronic image data and informational data such as MICR information is transferred
21 from scanner/reader/printer 309 onto remote site processor 201 where remote site
22 processor 201 edits and confirms that the electronic check data is readable. If the
23 electronic check data is not readable or correct, the check data is corrected at the direction
24 of remote site processor 201 by either re-scanning check 303 or having a remote site

1 operator manually key the information in using terminal 301 or other interface device
2 attached to remote site processor 201.

3 Once the check data is determined to be readable and accurate, remote site
4 processor 201 then formats the scanned check data and adds additional control
5 information in preparation for transmission to central site processor 203 and the alternate
6 embodiment approach concludes.

7 Returning to Figure 4, after receipt of valid and accurate check data, if it is
8 determined that the maker bank or maker of the check requires a physical item, the check
9 image is printed in process 401 and then processed through the central site check image
10 capture system 205. If a physical item is not required, the image is sent to the check
11 image capture system 205. In either case, the check image capture system 205 interfaces
12 with the central site 198 deposit systems 103, cash management systems 104, etc. for
13 posting information. The central site then forwards either the printed duplicate check or
14 check image to the maker bank 108. This can be done directly through path 208 if the
15 bank of first deposit's central site 198 has an agreement with maker bank 108 to
16 exchange checks directly, or if the maker bank and the central site bank of first deposit do
17 not have an exchange agreement then through FRBs 106, 107 through path 207.

18 Figure 5 depicts the various component and processes of the maker bank site, in
19 accordance with the preferred embodiments of the present invention.

20 The maker bank 108 receives either images of the original paper items 303 or
21 printed duplicates of the original paper items 303 either directly from the bank of first
22 deposit's central site through path 208 or from the central site Federal Reserve Bank
23 (FRB) 106 clearing process through path 206 (Figure 4), 207, 120.

24

1 Central site FRB 106 will process the check images or paper items through their
2 capture system and forward the images or paper items to the maker bank FRB 107
3 through path 207. The maker bank FRB then processes the items or images through their
4 check capture system 504 through path 503 and if necessary, (*i.e.*, when paper duplicate
5 of item has not already been printed by the bank of first deposit), print a duplicate of the
6 original check 303 image if a paper item is required by maker bank 108. A maker bank
7 FRB 107 will then forward the printed items or images to the maker bank 108 via
8 communications or transportation path depicted as path 120. Maker bank 108 will then
9 process the image or paper item through their in-house application systems depicted by
10 deposit system 110, print check image process, 509, check system process, and customer
11 statement process 506 through paths 122, 507, 508, 121, 505, and 507.

12 These in house systems are not to be taken as systems that all banks will have or
13 use for this process. They are meant to represent the in house processing by maker banks
14 to post monetary items to their accounting systems and to send the items (either image or
15 printed duplicate of original items) to the check maker.

16 Figure 6 is an interface diagram depicting a high level description of the
17 interactions between the various components of the present invention, in accordance with
18 a preferred embodiment.

19 In the preferred embodiment, the remote site operator enters deposit information
20 into the remote processor then inserts a draft in a step 601 at the scanner/reader/printer
21 located at the remote site. The scanner/reader/printer reads the item, digitizes and
22 validates the check image information and passes it to the software on the remote site
23 processor in a step 602. The remote site processor software receives the digitized data
24 from the scanner/reader/printer and validates data to ensure that the check information is

1 readable and valid in a step 603. When the image is ready for transmission to the central
2 site. The remote site processor contacts the transmission facility and, incorporating
3 digital signature verification and certification and data encryption software to ensure
4 confidentiality, transmits in a step 604 the item image and control information to the
5 central site. The central site receives the transmitted data and edits and in a step 611
6 verifies the check data for completeness and content.

7 When the central site has determined the check image and other associated data
8 (relating to both the check image and data, and the deposit information) is complete and
9 accurate and meets the deposit and/or item dollar limits, the central site stores the
10 electronic image of the check and any additional associated information received from
11 the remote site, and then confirms in a step 605 receipt of good information by sending to
12 the remote site information needed to endorse the physical check and to void the physical
13 item to keep it from being re-transmitted or deposited at a physical financial institution
14 location for collection. In addition, a unique item identification number can be
15 transmitted to the inventive software on the remote site processor for printing on the
16 physical checks as a tracking and research mechanism. The invention allows for printing
17 of the unique item number if it is determined by the bank employing the present
18 invention that it is desirable to print the unique item number for tracking and research
19 purposes.

20 After the inventive software on the remote processor receives specific information
21 required to void, endorse, and print the unique item number, the remote site processor
22 and the scanner/reader/printer will pass the check again where the remote site will print in
23 a step 606 the information on the physical item at the locations required by the rules
24 governing automated check processing. The item is also scanned in a step 607 again

1 under the direction of the remote site inventive software and the new image (containing
2 endorsement, voiding and item number information), and associated additional
3 information required by the inventive software for tracking and control purposes, is
4 edited in a step 608 for accuracy and completeness and if correct is then transmitted in a
5 step 609 to the central site by the remote site using the transmission facility set up for this
6 purposes.

7 If the data is not readable or correct, the information is corrected at the direction
8 of the remote site by either re-scanning the item or having the remote site operator key
9 the information in using the terminal attached to the remote site processor. If the item is
10 rescanned at this point, the endorsement, voiding and item number information is not
11 reprinted by the scanner/reader/printer. When the image is ready for transmission to the
12 central site, the remote site processor contacts the transmission facility and, incorporating
13 digital signature verification and certification, and data encryption software to ensure
14 confidentiality, transmits in a step 609 the item image and control information to the
15 central site.

16 The central site receives the transmitted updated image data and edits in a step
17 613 for completeness and content. If the data is incomplete or inaccurate, or if the image
18 data is not readable, the central site communicates, with the remote processor and gives
19 detailed information to the operator concerning the need for additional information to
20 complete the inaccurate data or image information. Based on the specific need, this
21 information can be supplied using the terminal on the remote site processor or by re-
22 scanning the physical item and re-transmitting it to the central site. In either case, this
23 information is supplied under the direction of the remote site processor. Such additional
24 information is transmitted to the central site processor from the remote site processor. If

1 the physical item is rescanned at this point, the endorsement, voiding and item number
2 information is not reprinted by the scanner/reader/printer.

3 Once the central site determines the new data received for the deposit is accurate
4 and complete, the central site stores in a step 618 the updated image of the physical item
5 (on the database(s) maintained by the bank of first deposit's central site for this purpose)
6 along with any additional associated information received from the remote site, and then
7 confirms receipt in a step 610 of good information by sending a notification to the remote
8 site that the process for that specific deposit is complete unless more items are present in
9 a step 615 and allows for termination of the transmission of information or for the same
10 process to be followed for other items in a step 614 in that deposit or for another deposit
11 in a step 616.

12 In another embodiment of the invention, the central site stores the check image(s)
13 on an Internet enabled documents storage system allowing access by the depositor, their
14 designee, or the central site processing center of the bank of first deposit. The central site
15 for storing check images and associated information preferably employees incorporating
16 digital signature verification and certification, and data encryption to ensure
17 confidentiality.

18 If the check is removed from the scanner/reader/printer prematurely, at any time
19 during the process of capturing and transmitting data from the remote site, the transaction
20 information associated with that check will be considered invalid and not part of the
21 deposit. The depositor will need to re-scan and re-enter data associated with that check.

22 The remote site operator will have the option at the remote site to release deposit
23 information to the central site for processing. This can be done after either a completion
24

1 of single deposit in step 615 (containing one or more checks) or after completion of all
2 deposits in step 616 (each containing one or more checks) from the remote site.

3 After the deposit(s) from a specific remote site are complete, the central site
4 formats deposit information for processing in the accounting systems of the bank of first
5 deposit's central site in a step 619, including sending the image and other appropriate
6 information for application processing in step 620 (including deposit accounting systems,
7 MICR capture, cash management processing, float processing, etc.,).

8 If an item is an "on us" item, the central site determines that a physical check is
9 required by the maker, that information is relayed to the central site and an identical
10 image or facsimile of the original item can be printed by either the central site processor
11 or by the item capture system in step 619.

12 If the maker bank is a clearing or correspondent bank then the bank of first
13 deposit will determine if the maker bank requires a paper or image item. If the maker
14 bank requires a paper item, then the bank of first deposit's central site will print an exact
15 duplicate of the paper item and route in step 621 the item to the maker bank. The
16 duplicate printed item will generally be as exact as possible based on the quality of the
17 original image. If the maker bank does not require a paper item then the bank of first
18 deposit will route the check image to the maker bank.

19 If the maker bank is not a clearing or correspondent bank, the check data
20 including image will be forwarded in step 621 using the FRB item clearing processes to
21 route the item image to the FRB affiliated with the maker bank. The maker bank FRB
22 determines if the maker bank will accept check data including an image of the item. If
23 the maker bank requires a paper item, the maker bank FRB prints an identical image of
24 the original item with information showing that it is a duplicate and that the bank of first

1 deposit is central site guarantees the item. This duplicated item is then sent in step 621 to
2 the maker bank for the collections of funds.

3 As an alternative, the check image or a printed reproduction of the check can be
4 sent in step 621 to the maker bank from either the bank of first deposit is central site or
5 the maker bank FRB using any other acceptable clearing method or process.

6 Check items that need to be returned, are done so in steps 624 and 625 to the bank
7 of first deposit to be routed back through the same route that was used to clear the item. If
8 a paper item has been created, that item will be returned along with information showing
9 the reason for return. Otherwise, the image will be used for return item purposes until the
10 return item image is returned to the bank of first deposit's central site. At that point, if
11 the remote site processor 201 is able to receive an item image, the image along with the
12 return reason will be passed to the remote site processor 201. If the remote site processor
13 is not capable of receiving check data including an item image, a paper duplicate showing
14 the return reason will be printed either by the central site or by the item capture system
15 under the direction of the central site and sent to the remote site operator 301. The
16 unique item number assigned at capture time by either the central site or the remote site
17 can a be included in all return images and/or returned paper items to enable complete and
18 accurate tracking of all return items

19 Re-deposit may be performed in steps 626, 627, 628 of items facilitated by the
20 remote site prompting the remote site operator with instructions on how to scan and
21 transmit the returned paper item or re-deposit the endorsed image previously captured
22 and stored. The unique item number assigned at capture time by either the central site or
23 the remote site facilitates both options.

24

1 Figure 7 is a detailed flowchart depicting the specific steps for carrying out the
2 invention in accordance with a preferred embodiment.

3 In a step 700, the software is loaded or otherwise made available to the remote
4 site processor for execution. Those skilled in the art appreciate the various processes and
5 steps for performing loading of software into a processor such as the remote site
6 processor. It is also contemplated within the scope of the present invention that the
7 software for execution on any of the processors may take the form of embedded
8 executable instructions.

9 Query step 900 determines if deposit processing criteria, (e.g., deposit limit and
10 endorsement information) are present at the remote site processor thereby enabling the
11 initial check deposit processing decisions to be performed locally at the remote site
12 processor or, alternatively, when the deposit processing criteria is not local on the remote
13 site processor, processing passes through path 906 to step 701.

14 When query step 900 determines that deposit processing criteria is present at the
15 remote site processor, a query step 910 determines if the information required to
16 determine deposit limits and endorse the item is current on the remote site processor. If
17 this information is present and current on the remote site processor, processing passes
18 through path 911 to step 930 where the remote site operator enters deposit information, as
19 well as the endorsement voiding and item numbering information in process step 931
20 prior to reading the first monetary item in process step 932 and then proceeding to query
21 step 933. If this information is not present on the remote site processor or if it is not
22 current, then query step 920 determines if this information can be updated by the
23 operator. If the operator cannot update this information, then process step 926 allows for
24 updating the deposit information from the central site processor and then proceeds to

1 process step 930 where the operator begins the remote capture function by entering
2 deposit information. If the operator can update this information, then process step 921
3 allows for the operator to update the deposit limit and endorsement information and then
4 proceed to process query step 922.

5 Query step 922 determines if the remote site processor can make deposit limit
6 and/or endorsement decisions. If the decision can be made by the remote site processor,
7 then process step 930 allows for the remote operator to enter deposit information, as well
8 as the endorsement voiding and item numbering information in process step 931 prior to
9 reading the first monetary item in process step 932 and then proceeding to query step
10 933.

11 Query step 933 determines if the current item exceeds the item dollar limit or
12 makes the deposit exceed the deposit dollar limit. If the limits are exceeded then the
13 process of entering items for the given deposit in process end 934, and the remote site
14 operator has the option of beginning another deposit or ending the deposit process with
15 the central site processor. If the limits are not exceeded, then process step 935 accounts
16 for the scanned item 932 being edited for accuracy and completeness at the remote
17 location prior to proceeding to query step 936 where it is determined if the data from the
18 scanned item is correct.

19 In query step 936, if the data is correct, then query step 937 determines if there are
20 more items to scan. If there are more items to scan, then process step 940 passes back to
21 process step 930 to allow the remote operator to begin the item capture process over
22 again. If query step 937 determines that there are no more items or deposits to process,
23 then process step 941 prepares the item image data or check data for transmission prior to
24 encrypting the data in process step 942 and digitally signing the data in process step 943.

1 Process step 944 transmits the data image to the central site processor for editing in
2 process step 747.

3 In query step 936, if the data is not correct, then query step 938 determines if the
4 operator can correct the data using a data terminal connected to the remote site processor.
5 If the operator can correct the data, it is done in process step 946 prior to passing through
6 process step 947 and going back to query step 936 to test data image for correctness. In
7 query step 938, if the scanned item image is not correct, process step 948 passes through
8 to process 932 where the item is rescanned.

9 Stepping back to query step 922, if endorsement and deposit limit information
10 cannot be made by the remote site processor, then the remote site operator enters deposit
11 information in process step 701 before scanning the physical monetary item in process
12 step 702 after which the item image is edited in process step 703.

13 In query step 704, if the image data is not correct, the check is returned to process
14 step 702 where it is rescanned and re-edited in step 703. If query step 704 determines the
15 image data is correct, then the data is passed successfully through process step 710 where
16 the image is prepared for transmission to process step 711 where the date is encrypted
17 and step 712 where the digital signature is added in preparation for transmitting the data
18 to the central site in process step 713.

19 Process step 714 receives the transmitted image data and passes it to query step
20 715 where it is edited for accuracy and completeness. If the data is not accurate or
21 complete, it is passed to process step 720 where the data is corrected by requesting
22 updated information from the remote site processor. If the remote site operator cannot
23 supply correct date via the terminal attached to the remote site processor in query step
24 721, then the check passes through process step 725 to process step 702 where it is

1 scanned again in preparation for editing and transmitting the corrected image to the
2 central site processor. If the remote site operator is able and authorized to correct the
3 data in query step 721, the data is entered in process step 722 and passed through path
4 723 to process step 711 where the data is encrypted in preparation for transmitting to the
5 central site processor.

6 If in query step 715 the check image data is complete and accurate, the data is
7 passed to process step 730 where the image is stored in data sets used by the bank for
8 document archival and research as well as in a database that is Internet enabled and
9 available for access and research purposes by the depositing customer and bank of first
10 deposit. After the image is stored, a confirmation of good data receipt is created in
11 process step 731. This confirmation contains necessary endorsement, item numbering
12 and voiding information, which is added to the confirmation record in process steps 732
13 and 733 prior to the confirmation being sent to the remote site processor. The
14 confirmation record is then data encrypted in process step 734 and a digital signature is
15 added in process step 735 prior to the record being transmitted to the remote processor in
16 process step 736. Upon receipt by the remote processor in process step 737, the
17 endorsement, item numbering and voiding information is printed on the physical check in
18 process step 738 prior to it being re-scanned in process step 739.

19 After a new check image is created showing the necessary endorsement and
20 voiding information in process step 740, the new check image is edited to ensure the
21 scanned check data is correct. If in query step 742, it is determined that the image data is
22 not complete or accurate, the image is passed through process step 750 to process step
23 739 where the physical check is scanned again. If the check is passed through the reader
24 again at this point, the endorsement information has already been printed and will not be

1 printed again. If in query step 742 it is determined that the check image data is good, the
2 data is prepared for transmission in process step 743 prior to the data being encrypted in
3 process step 743 and digitally signed in process step 745 prior to being transmitted to the
4 central site in process step 746.

5 As the central site receives the transmitted image data in process step 747, the
6 image is edited by the central site software in process step 748 to ensure completeness
7 and accuracy of data. Query step 756 determines quality of data and if the data is not
8 complete or accurate, it is sent to query step 791 where it is determined if the deposit
9 limit and or endorsement information is available on the remote site processor. If this
10 information is available on the remote site processor then the central site processor
11 communicates with the remote site processor through path 794 to determine if the remote
12 site operator can supply the correct image data in query step 938. The process involved
13 in query step 938 was discussed above. If query step 791 determines that the deposit
14 limit and endorsement information is not on the remote processor then query step 795
15 determines if the remote operator can supply the correct image information. If the
16 operator can supply the correct image information, it is entered in process step 796 and
17 the check image is prepared for transmission in process step 797 and passed to process
18 step 744 (previously discussed) for digital signature and transmission. If in query step
19 795 the operator cannot correct/update the image information, the check is processed
20 through path 798 to process step 739 (previously discussed) where it is scanned again in
21 preparation for transmitting to central site processor.

22 Stepping back to query step 756, if the data image is complete and accurate the
23 endorsed image of the check is stored in process step 760 in datasets used by the bank for
24 document archival and research as well as in a database in process step 762 that is

1 Internet enabled and available for the depositing customer and bank of first deposit to be
2 able to access for research purposes.

3 The central processor site then sends confirmation of good receipt of data in
4 process step 762 to the remote processor in process step 763. At this point query step 764
5 at the remote processor determines if the deposit currently being worked on is complete.
6 If the deposit is not complete, then process step 780 returns control to the previously
7 discussed process step 702 where the next item is scanned. If the deposit is complete
8 query step 764 asks the operator in query step 765 if there is another deposit. If there is
9 another deposit to be processed, process step 766 passes through to previously discussed
10 process step 701 where the new deposit process is initiated. If there is not another
11 deposit as determined in query step 765, the remote entry process is completed and the
12 captured deposit and image information is entered into application processing for the
13 bank of first deposit's central site item capture system in process step 771, the deposit
14 systems in process step 772 and the cash management systems in process step 773.

15 In the course of processing a deposit, it is integral to the decision making to
16 understand which banks the deposited items are drawn (i.e. who is the maker bank).
17 Query step 774 determines if the monetary items in the deposit are "on us" items (i.e.
18 items drawn on the bank of first deposit). If the items are "on us," the system determines,
19 in query step 850, if the check maker requires a paper check. If they do, then a
20 duplicate of the original check is printed in process step 851 and the paper item is sent to
21 the maker of the check. In addition, the image of the item is sent to process step 860
22 (discussed below) for processing on internal computer accounting systems. In query step
23 850, if the maker of the check does not require a paper duplicate of the original item,
24 process step 860 passes the checks image through the internal accounting systems to

1 query step 861 where it is determined if the item is payable (*i.e.*, does the check maker
2 have sufficient funds in their account to cover the check, is the maker account still open,
3 etc.).

4 If query step 861 determines the item is payable, the check data is posted to the
5 maker's account and the process ends for that check item in step 863. If query step 861
6 determines the item is not payable, then process step 870 returns either the printed
7 duplicate of the check or the check image to the original depositor at the remote location.
8 In query step 871, a remote site operator determines if they want to re-deposit the item or
9 return it. If they decide to return the item, this is done in process step 880 and path 881
10 sends control to previously discussed process end step 863. If query step 871 determines
11 that the item should be re-deposited for collection, query step 872 determines if this is to
12 be done using the duplicate paper item or the original check image.

13 If the return from query step 872 is to be done using the duplicate paper item, then
14 this is done in path 873 where control is sent back to previously discussed process step
15 764 where the item is deposited using the scanner/reader/printer. If the check return from
16 query step 872 is to be done using the original captured check image for the item, process
17 step 875 allows for the remote operator to initiate this process in a step 875 by entering
18 the unique number assigned to the original check at capture time. This information is
19 sent to the central site processor via process step 876 and control is then passed through
20 path 877 to process step 764 where the item is deposited using the check original check
21 image.

22 Stepping back to query step 774 where it is determined if the item is an on us
23 item, if query step 774 determines that the item is not an "on us" item then query step
24 800 determines if the maker bank is a clearing bank or a correspondent bank. If the

1 maker bank is a clearing bank or a correspondant bank, then query step 801 determines if
2 the maker bank requires a paper copy of the original check item. If they require a paper
3 duplicate, then a paper duplicate of the original item is printed in process step 802 and
4 sent to the maker bank in path 803 which passes control to process step 805 discussed
5 below. If query step 801 determines that the maker bank does not require a printed
6 duplicate check, the image of the original item drawn on the maker bank is sent to the
7 maker bank in process step 805 and the maker bank sends the item through path 806 to
8 previously discussed process step 861 to determine if the item is payable at the maker
9 bank.

10 Stepping back to query step 800, if the payee bank is not a clearing bank or
11 correspondent bank, process step 810 sends the check image to the Federal Reserve Bank
12 (FRB) serving as the clearing entity for the bank of first deposit. That branch of the
13 Federal Reserve Bank forwards the check image to the Federal Reserve Bank serving as
14 the clearing agent for the maker bank. That Federal Reserve Bank determines in query
15 step 811 if the maker bank requires a paper duplicate of the original paper check. If the
16 maker bank requires a paper item, the FRB prints the paper item in process step 812,
17 incorporates the duplicate check in their processing systems as depicted in process step
18 813 where the item is sent in path 814 to process step 815 where the maker bank receives
19 the paper item. If in query step 811 the maker bank does not require a paper check, the
20 FRB sends the image to the maker bank that receives the image in process step 815, and
21 passes, via path 816, either the check image or printed duplicate of the original check to
22 previously discussed query step 861 to determine if the item is payable by the maker.

23 The present invention may be embodied in other forms without departing from its
24 spirit or essential characteristics. As properly understood, the preceding description of

specific embodiments is illustrative only and in no way restrictive. The scope of the invention is, therefore, indicated solely by the appended claims as follows.

What is claimed and desired to be secured by United States Letters Patent is: